

Letter Chinatown Zero
Business-Income-Tax Zone:

Portland Old Town / Chinatown as a Zero Business-Income-Tax Zone:

1. Context: A Distressed but Strategic Neighborhood

Portland's Old Town / Chinatown is simultaneously one of the city's most historically rich and economically distressed districts. City and Prosper Portland planning documents identify long-standing issues of **crime and perceived safety, stagnant development, and poor connectivity** as core challenges for the neighborhood. ([Prosper Portland](#))

The area also has **one of the highest concentrations of homelessness in the city**, with visible disorder and safety concerns placing additional strain on local businesses and deterring new investment. ([Homeless No More](#)) Old Town has become a microcosm of Portland's broader struggles with homelessness, drugs, and public safety. ([opb](#))

At the same time, Portland's central city faces a **structurally heavy local tax stack** on businesses:

- **City of Portland Business License Tax:** 2.6% of net income on businesses with gross receipts above \$50,000. ([Portland.gov](#))
- **Multnomah County Business Income Tax:** 2% of net income. ([Multnomah County](#))
- **Metro Supportive Housing Services (SHS) Business Income Tax:** 1% on large businesses' net income over certain thresholds. ([Portland.gov](#))

In practice, many firms operating in Old Town / Chinatown face **5–6 percentage points of local business-income-based taxation** *before* state and federal layers.

The Portland Central City Task Force's Tax Advisory Group has already linked recent tax hikes and cumulative local taxes to **weakened economic performance, tax-base flight, and competitiveness concerns**, recommending at least a moratorium on new taxes and a re-think of the region's tax structure. ([Oregon Business Plan](#))

From an Austrian-school, libertarian perspective, Old Town / Chinatown is not primarily a "service-delivery problem," but a **capital formation and entrepreneurial discovery problem**: the district lacks the stable expectations and after-tax returns required to attract capital, while public interventions have crowded out private initiative and muddled property-rights-based solutions.

2. Austrian-School Lens on Local Business Taxation

In the Austrian tradition (Mises, Hayek, Rothbard), we focus on:

1. **Entrepreneurial discovery:** Entrepreneurs coordinate dispersed local knowledge through profit and loss. Local taxes on business income directly reduce the *expected* profit margin from such discovery.
2. **Capital structure & time preference:** Higher taxes on business income compress net returns on long-lived capital projects (renovating historic buildings, rehabbing old warehouses, etc.), skewing investment toward shorter-term, more liquid uses or toward other jurisdictions entirely.
3. **Regime uncertainty:** Frequent tax hikes and complex local surcharges increase perceived risk. Entrepreneurs discount future Portland cash flows more heavily and look elsewhere (e.g., Texas metros with no local income taxes).([Federal Reserve Bank of Dallas](#))

From this vantage point, **local taxes on business income are among the most distortionary instruments available to a city**, especially in a fragile district:

- They are **location-specific** (easy to avoid by simply not locating in Old Town / Chinatown).
- They bear directly on the **entrepreneur's return**, not just on land or consumption.
- They often **fund services that do not directly improve the business environment**, especially if the marginal tax dollar is absorbed by regional or county-wide programs with little visible impact in Old Town.

Hence the central claim of this paper:

Old Town / Chinatown should be turned into a zero local business-income-tax zone, replacing city and county business income taxes with a leaner spending regime and business-led district stewardship.

3. International Precedents: Lower Business Taxes and Economic Performance

3.1 Ireland: The “Celtic Tiger” and Low Corporate Taxes

Ireland’s transformation from one of Western Europe’s laggards to a high-income economy between the late 1980s and mid-2000s is well documented. During the **Celtic Tiger period (roughly 1995–2007)**:

- Real GDP grew around **9.4% annually between 1995 and 2000**, one of the fastest rates in the developed world. ([Wikipedia](#))
- Ireland’s GDP expanded by about **229% from 1987 to 2007**, against 161% for the U.S. and 152% for the U.K., while unemployment fell from ~18% in the late 1980s to about 3–4% by the early 2000s. ([Econlib](#))

A key pillar of this strategy was **low corporate taxation**:

- Successive governments moved toward a broad **12.5% corporation tax** (phased in around 2003), replacing a more complex and sector-specific regime. ([University College London](#))
- Empirical work on FDI into Ireland finds that a **1-percentage-point increase in the corporate rate reduced the probability of attracting FDI**, and FDI as a share of GDP surged once the 12.5% rate was firmly in place. ([University College London](#))

From an Austrian-libertarian viewpoint, the lesson is not that Ireland somehow “engineered” growth, but that **by sharply reducing the tax wedge on corporate income and simplifying the code, it allowed entrepreneurial capital to flow in on a massive scale**. Local knowledge and market processes did the rest; the tax code largely stopped getting in the way.

3.2 Nordic Experience: High Personal Taxes, Competitive Corporate Taxes

Contrary to the stereotype of “high-tax Nordics,” the **Nordic countries have systematically reduced and kept corporate tax rates at or below EU averages** (Norway’s oil-related taxes aside). ([nordics.info](#))

Key elements:

- **Sweden**: The landmark 1990–91 tax reform dramatically lowered the statutory corporate rate to **30%**, rationalized the code, and was later followed by further cuts down to **22% by 2013**. ([inforum.oru.se](#))

- The reform explicitly aimed to **reduce distortions to investment**, aligning with a more neutral, investment-friendly tax philosophy. ([Regeringskansliet](#))
- Today, Sweden and its Nordic peers leverage **moderate corporate taxes, rule of law, and predictable policy** as part of their competitive advantage in attracting capital and high-value production. ([CE Sweden](#))

Even now, Nordic governments are **still cutting corporate taxes to spur growth**: Finland, for example, announced in 2025 that it will cut its corporate tax rate from 20% to 18% explicitly “to make Finland one of Europe’s most attractive countries for investments” and boost growth in a sluggish economy. ([Reuters](#)) Similarly, Sweden’s government proposed another corporate tax cut from 20.6% to 20% to support investment amid global uncertainty. ([Reuters](#))

Austrian takeaway: **Even high-spending welfare states recognize the cost of taxing capital too heavily**. They finance their social model largely with broad consumption and labor taxes, while **keeping business income taxation relatively competitive** to avoid eroding their capital base.

3.3 Estonia: Zero Tax on Retained Corporate Profits

Estonia goes further: **corporate income is taxed only when profits are distributed**. Undistributed profits can be reinvested tax-free; tax is levied at distribution (20% on dividends and other distributions). ([PwC Tax Summaries](#))

This structure:

- Encourages **reinvestment and capital deepening** by allowing firms to compound earnings before tax if they remain in the business.
- Favors **long-term projects** and high-growth firms, by lowering the effective user cost of capital for retained earnings. ([Lund University Publications](#))

Estonia has become a **case study in transparent, growth-oriented corporate tax design** within the EU and OECD, often cited by investors as a clean, simple system that supports entrepreneurial growth rather than penalizing it. ([PwC Tax Summaries](#))

4. Evidence from Local Enterprise Zones and Tax Incentives

Portland is not starting from zero. Old Town / Chinatown already sits within **Tax Increment Financing (TIF) districts** and, more recently, within an expanded **Portland Enterprise Zone (E-Zone)** boundary that includes the Central City core and Old Town / Chinatown. ([Perkins & Co](#))

The E-Zone model provides **temporary property tax abatements** and certain incentives for qualifying investments, a classic “enterprise zone” approach.

However, national and international evidence on such *targeted* incentives is mixed:

- A 2025 rapid evidence review of enterprise zones finds that, on average, **employment effects are modest and often offset by displacement from nearby areas**, with high fiscal costs per job created. ([What Works Growth](#))

From an Austrian perspective, this is unsurprising:

- Targeted abatements encourage **rent-seeking and politicized selection of beneficiaries**, rather than broad market-driven discovery.
- Complex incentive regimes increase **regime uncertainty**; firms worry the rules may change or be withdrawn with political cycles.
- Meanwhile, **baseline tax rates remain high**, discouraging smaller firms that lack the scale or political savvy to navigate complex incentive programs.

In Old Town / Chinatown, the persistence of **stagnant development and safety concerns despite years of urban renewal and incentives** suggests the current strategy has reached diminishing returns. ([Prosper Portland](#))

5. Proposal: A Zero Local Business-Income-Tax Zone for Old Town / Chinatown

5.1 Core Policy Change

Policy:

Create a legally defined Old Town / Chinatown “Free Enterprise District” in which:

1. **City of Portland Business License Tax (2.6%) on net income is reduced to 0%** for all firms whose primary place of business is within the district. ([Portland.gov](#))
2. **Multnomah County Business Income Tax (2%) on income sourced to the district is reduced to 0%** for those firms. ([Multnomah County](#))
3. **Metro SHS Business Income Tax (1%) on net income linked to the district is eliminated or rebated** for businesses operating there. ([Portland.gov](#))

The result: **no local business-income-based tax burden** within Old Town / Chinatown, while retaining:

- State and federal income/corporate taxes (not altered by the city).
- Property taxes and fees (potentially restructured but not necessarily eliminated).
- General regulations (zoning code can be separately simplified).

Duration:

- Initial **10-year commitment**, with a constitutional or charter-level requirement that any reintroduction of local business income taxes in the district requires a **supermajority vote** and a long phase-in.

From a libertarian Austrian standpoint, **credible long-term commitment** is crucial; entrepreneurs invest based on expectations over many years, not one-year abatements.

5.2 Funding the Tax Cut: Cutting and Refocusing Spending

Local leaders will ask, “How do we pay for this?” The Austrian answer: **we don’t “pay for” not taxing capital that we have no inherent claim to in the first place**—but politically, budget arithmetic still matters.

Possible offsets:

1. **Sunset and consolidate overlapping incentive programs**

- Gradually sunset Old Town-specific subsidies, grants, and layers of urban-renewal micromanagement that have delivered limited results. Redirect TIF resources to core infrastructure and public order rather than direct business subsidies. ([Prosper Portland](#))

2. **Prioritize core public goods in the district**

- Reallocate funds from city-wide “nice-to-have” projects to **physical safety, sanitation, and basic infrastructure** in Old Town: clear sidewalks, working lights, clean streets.
- A cleaner, safer environment strengthens private investment and reduces the need for future public remediation.

3. **Leverage Business Improvement District (BID) / Voluntary Assessments**

- Allow property owners and businesses in Old Town / Chinatown to **form a voluntary BID-style association** that funds private trash collection, beautification, and supplemental security via **contracted services**, not city payrolls.
- Because business income taxes are removed, firms can voluntarily re-allocate a fraction of their savings into BID dues, with far better alignment between **who pays** and **who directly benefits**.

4. **Trim administrative overhead**

- Elimination of local business income taxes in the district also **reduces administrative and enforcement costs** (auditing, compliance, appeals), freeing staff and dollars.

The Central City Task Force’s own fiscal work notes that Portland’s tax and service system has become increasingly complex, with multiple overlapping new taxes and programs. ([Oregon Business Plan](#)) Simplifying and shrinking the tax base in Old Town is a step toward reversing that complexity.

6. Expected Effects on GDP, Local Economy, and Social Welfare

While district-level GDP is hard to measure directly, we can reason through **mechanisms**, anchored by the international evidence:

1. **Higher After-Tax Returns → More Capital and Jobs**

- Ireland's experience shows that lower corporate tax rates dramatically improved FDI inflows and long-run growth. ([Econlib](#))
- Nordic reforms demonstrate that even high-spending states protect investment by moderating corporate taxes. ([nordics.info](#))
- Estonia's zero tax on retained profits illustrates how removing the tax wedge on reinvestment can encourage rapid capital deepening. ([PwC Tax Summaries](#))

2. **Applied locally: Old Town / Chinatown would become the lowest business-income-tax jurisdiction in the Portland metro area**, drawing in:

- Startups and small firms sensitive to margins.
- Service, hospitality, and creative businesses that currently view the area as too risky relative to its tax burden.
- Developers willing to rehab historic buildings if after-tax returns improve.

3. **Entrepreneurial Discovery and Social Welfare**

- Increased business density is associated with more "eyes on the street," lower vacancy, and improved informal social control, all factors that can **support public safety and social cohesion**.
- More local jobs expand **opportunities for currently marginal workers**, including those exiting homelessness or addiction treatment, complementing but not replacing social services.

4. **Tax Base Elasticity and Dynamic Effects**

- Over time, **property values and sales tax bases (for the state) can grow** as the district becomes more active.
- Even if local government collects less from business income in Old Town, it can recoup some revenue via higher property assessments and more economic

activity city-wide.

5. Interaction with Homelessness Policy

- Business-friendly tax policy is **not a substitute** for targeted homelessness and mental-health interventions. Portland is already pursuing expanded shelters and day centers to address unsheltered homelessness. ([Portland.gov](#))
- But a more vibrant commercial district gives the city **more fiscal and political space** to fund those interventions sustainably, rather than relying on ever-higher tax rates on a shrinking base.

7. Anticipated Critiques and Responses

Critique 1: “Evidence on tax incentives is weak; enterprise zones don’t work.”

It is true that research on **targeted tax incentives and enterprise zones** finds modest effects and significant displacement. ([What Works Growth](#)) But this proposal is qualitatively different:

- Instead of **complex, discretionary abatements** for a few firms, it offers a **simple, across-the-board elimination of business income taxes** for all firms in the district.
- It reduces **regime uncertainty and rent-seeking** rather than adding programmatic complexity.

From an Austrian perspective, the problem with most enterprise zones is that they **try to centrally engineer who wins**. A zero-tax zone simply *steps out of the way* and lets the discovery process operate.

Critique 2: “Won’t this starve the city and county of needed revenue?”

In the short run, yes, revenue from Old Town’s business income taxes will fall. But:

- The **current revenue from business income in Old Town is likely small** relative to city and county budgets, because the district is under-performing.
- The **dynamic path** under the current model is one of **shrinking base, rising rates, and continued out-migration**, as already flagged by the Central City Task Force. ([Oregon](#))

[Business Plan](#))

- A libertarian view emphasizes that **the legitimate functions of local government are limited** (public order, basic infrastructure, clear property rights). Trimming non-core spending is not a bug; it is a feature.

Critique 3: “This is a giveaway to business.”

On the contrary, it is a **cease-fire** in an ongoing war on business margins. No firm is guaranteed success; they only keep profits if they serve consumers better than competitors. Eliminating local business income taxes merely stops penalizing them for doing so.

8. Implementation Roadmap

1. **Legal Designation of the Old Town / Chinatown Free Enterprise District**

- Define clear geographic boundaries aligned with existing neighborhood and TIF lines. ([Prosper Portland](#))
- Pass city and county ordinances (and, ideally, charter changes) to set business income tax rates to **0% within this boundary**.

2. **Sunset Clauses for Overlapping Incentive Programs**

- Schedule the expiration of targeted grants, special subsidies, or overlapping local incentives, redirecting remaining funds to infrastructure and safety in the district.

3. **Creation of a Voluntary Business-Led Improvement Association**

- Enable property owners and businesses to form a **contractual association** that designs and funds cleaning, beautification, and supplemental security, leveraging part of their tax savings.

4. **Regulatory Simplification**

- Pair tax changes with **streamlined permitting, reduced fees, and faster approvals** for rehab and adaptive reuse projects.

5. **Simple Metrics and Sunset Review**

- Track: number of businesses, occupancy rates, investment volume, crime, and employment within the district.
- After 10 years, review whether the district has materially improved versus comparable areas.

9. Conclusion

From an Austrian, libertarian standpoint, the way to “save” Old Town / Chinatown is not another layer of plans, subsidies, and targeted programs, but a **radical simplification of the local fiscal landscape**:

- **Zero local business-income taxes** in the district.
- **Lean, focused public spending** on core public goods.
- **Business-led stewardship** of cleanliness and safety.
- A stable, predictable environment in which **entrepreneurs—not bureaucrats—decide what Old Town becomes next**.

Ireland’s low corporate taxes, Nordic corporate tax competitiveness, and Estonia’s radical approach to retained profits all point in the same direction: **places that respect capital formation and entrepreneurial returns prosper; those that punish them stagnate**.

Old Town / Chinatown can be Portland’s proof of concept that a freer, lighter-taxed local order is not only possible, but transformative—for GDP, for the local economy, and, ultimately, for social welfare.

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Formal Academic Abstract

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This paper develops a theoretical and policy analysis of establishing a zero local business-income-tax district in Portland's Old Town / Chinatown, a historically significant yet economically distressed urban area exhibiting persistent capital underinvestment, elevated firm exit rates, and degraded public order. The current local fiscal regime—comprising a 2.6 percent municipal business license tax, a 2 percent county-level business income tax, and a 1 percent regional surcharge—imposes a combined marginal effective tax rate (EMTR) on business income that materially increases the user cost of capital and raises the minimum hurdle rate required for investment in long-duration, site-specific capital projects.

The analytical framework integrates Austrian capital theory with modern local public finance and spatial equilibrium models. In the Austrian tradition, entrepreneurial discovery and intertemporal capital coordination are central to economic development; taxation of business income distorts these processes by attenuating profit-and-loss signals and disproportionately penalizing higher-order capital goods. Formally, the local business-income tax wedge enters the user cost of capital function by reducing the post-tax net return, thereby shifting the investment demand schedule inward and lowering equilibrium capital intensity within the district.

Comparative international evidence from the tax-competition and investment-elasticity literature—including Ireland's low statutory corporate rate, Nordic reductions in EMTRs on corporate income, and Estonia's distributed-profit tax regime—demonstrates that reductions in the effective taxation of retained earnings increase domestic and foreign investment by lowering capital costs and reducing policy-induced uncertainty. These findings are consistent with empirical estimates indicating high semi-elasticity of mobile capital with respect to after-tax returns, particularly in small jurisdictions and sub-national regions.

The paper contrasts this approach with the enterprise-zone literature, which generally identifies limited net effects on employment and investment after controlling for spatial displacement and selection bias. These outcomes are consistent with Austrian critiques of targeted fiscal incentives, which predict inefficient capital allocation arising from political selection mechanisms, rent-seeking behavior, and reduced informational efficiency in entrepreneurial decision-making.

The proposed policy eliminates all local business-income-based taxes within a clearly delineated Old Town / Chinatown district for a minimum ten-year commitment horizon, accompanied by regulatory simplification and expenditure reallocation toward core public goods. In a spatial general-equilibrium context, the reduction in the marginal tax wedge is expected to lower investment hurdle rates, increase firm entry and survival, raise business density, and generate endogenous improvements in neighborhood safety through increased economic activity and informal social control. Over time, capitalization effects are expected to manifest through higher land and property values, partially offsetting short-run revenue losses and improving long-run fiscal sustainability.

The analysis concludes that a zero business-income-tax district constitutes a structural institutional reform rather than a subsidy or place-based transfer. By eliminating distortions to capital formation and restoring the informational function of profit signals, the policy aims to enable market-coordinated urban redevelopment consistent with both Austrian capital theory and empirical evidence from tax-driven growth regimes.

Below is a **formal methods section with explicit equations**, written to match the level and tone of a **public finance / urban economics journal article**, while remaining consistent with an Austrian-school analytical framing.

3. Analytical Framework and Methodology

3.1 Conceptual Framework

The analysis combines Austrian capital theory with standard public finance and spatial equilibrium models to evaluate the effects of eliminating local business-income taxation in a geographically bounded urban district. The central hypothesis is that local business-income taxes increase the marginal effective tax rate (EMTR) on capital, raise the user cost of capital, and suppress entrepreneurial entry and long-horizon investment in location-specific capital goods.

From an Austrian perspective, entrepreneurial activity is a discovery process governed by profit-and-loss signals under uncertainty. Taxes on business income attenuate these signals and disproportionately distort intertemporal capital allocation, particularly for higher-order capital goods with long gestation periods (e.g., historic building rehabilitation, mixed-use redevelopment).

The methodology therefore focuses on how changes in the local tax wedge affect:

1. The user cost of capital,
 2. The investment hurdle rate,
 3. Firm entry, survival, and capital intensity,
 4. Spatial reallocation of economic activity within the metropolitan area.
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3.2 User Cost of Capital

The baseline user cost of capital follows the standard Hall–Jorgenson formulation:

$$c = \frac{(r + \delta)(1 - A)}{(1 - \tau)}$$

where:

- (c) = user cost of capital
- (r) = real discount rate
- (\delta) = economic depreciation rate
- (A) = present value of depreciation allowances and credits
- (\tau) = marginal effective tax rate on business income

In the context of Portland's Old Town / Chinatown, the relevant tax parameter is the **combined local marginal effective tax rate**:

$$\tau_{\text{local}} = \tau_{\text{city}} + \tau_{\text{county}} + \tau_{\text{metro}}$$

$$\tau_{\text{local}} = 0.026 + 0.020 + 0.010 = 0.056$$

Thus, prior to state and federal taxation, firms operating in the district face a **5.6% marginal tax wedge** on net income attributable to local activity.

The proposed policy sets:

$$\tau_{\text{local}}^* = 0$$

Substituting into the user cost equation yields:

$$c^* = (r + \delta)(1 - A)$$

The elimination of (τ_{local}) reduces the denominator distortion, lowering the user cost of capital and increasing the net present value (NPV) of marginal investment projects.

3.3 Investment Decision and Hurdle Rate

Firms invest when the expected post-tax internal rate of return (IRR) exceeds the required hurdle rate (h):

$$\begin{aligned} & [\\ & \text{IRR}_{\text{post}} \geq h \\ &] \end{aligned}$$

The hurdle rate can be expressed as:

$$\begin{aligned} & [\\ & h = \frac{r + \delta}{1 - \tau} \\ &] \end{aligned}$$

An increase in (τ) raises the required pre-tax return necessary for investment viability. Conversely, eliminating the local tax component reduces (h), particularly affecting projects with long time horizons and higher uncertainty.

From an Austrian capital-theoretic standpoint, this reduction disproportionately benefits **higher-order capital goods**, which are more sensitive to discounting and policy-induced uncertainty.

3.4 Marginal Effective Tax Rate (EMTR)

The marginal effective tax rate on capital income is defined as:

$$\begin{aligned} & [\\ & \text{EMTR} = \frac{R_{\text{pre}} - R_{\text{post}}}{R_{\text{pre}}} \\ &] \end{aligned}$$

where:

- (R_{pre}) = pre-tax rate of return
- (R_{post}) = post-tax rate of return

Local business-income taxes increase the EMTR independently of federal and state rates. The proposed zero-tax district removes the local component, reducing the EMTR and increasing the elasticity of investment with respect to after-tax returns.

Empirical literature consistently finds that mobile capital exhibits high semi-elasticity with respect to after-tax returns, particularly at sub-national levels where relocation costs are lower.

3.5 Spatial Equilibrium Effects

In a spatial general-equilibrium framework, firms and workers choose locations to maximize expected utility and profit, subject to taxes, wages, rents, and amenities. The elimination of local business-income taxes shifts the firm-profit condition:

$$\begin{aligned} & [\\ \pi &= f(K, L) - wL - rK - T \\ &] \end{aligned}$$

where (T) represents local tax liabilities. Setting ($T = 0$) increases equilibrium profits, inducing firm entry until rents and wages adjust.

In the short run:

- Firm entry increases,
- Vacancy rates decline,
- Business density rises.

In the long run:

- Capitalization effects increase land and property values,
- Higher rents partially offset tax savings,
- The property tax base expands, mitigating fiscal losses.

3.6 Methodological Approach

The paper employs a **comparative-static policy analysis** supported by international and sub-national empirical evidence rather than a structural econometric estimation. This approach is appropriate given:

1. The absence of prior zero-tax districts within Portland,
2. The Austrian emphasis on process analysis over equilibrium prediction,
3. The policy objective of reducing institutional distortions rather than fine-tuning outcomes.

The analysis draws on:

- Cross-country evidence on corporate tax reductions and investment responses,
 - Quasi-experimental findings from enterprise zone literature,
 - Local fiscal data on Portland's business tax structure.
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3.7 Welfare Implications

From a welfare perspective, eliminating local business-income taxation reduces deadweight loss associated with capital taxation:

$$[\text{DWL} \propto \tau^2 \cdot \epsilon]$$

where (ϵ) is the elasticity of capital supply. Given the high elasticity of mobile capital, even moderate local tax rates generate disproportionately large efficiency losses.

The proposed policy improves allocative efficiency by:

- Reducing distortions to capital formation,
- Enhancing entrepreneurial discovery,
- Allowing decentralized market coordination to guide redevelopment.

3.8 Summary of Mechanism

The causal chain is summarized as:

$$[\tau_{\text{local}} \downarrow \rightarrow \text{EMTR} \downarrow \rightarrow c \downarrow \rightarrow h \downarrow \rightarrow I \uparrow \rightarrow K \uparrow \rightarrow Y \uparrow]$$

where (I) denotes investment, (K) capital stock, and (Y) local economic output.

Quantitative Appendix: Order-of-Magnitude Effects of a Zero Local Business-Income-Tax District (Old Town / Chinatown)

This appendix provides **back-of-the-envelope estimates** for the likely magnitude of effects from setting **local business-income taxes to zero** within a defined Old Town / Chinatown district. The goal is not point prediction; it is to bound plausible impacts under transparent assumptions.

A. Baseline definitions

Let:

- (τ_{local}) = combined local business-income tax rate (city + county + regional), assumed **5.6%** (i.e., (0.056)).
- (B_0) = baseline annual **taxable net business income** sourced to the district.
- (R_0) = baseline annual local revenue from business-income taxes:

$$R_0 = \tau_{\text{local}} \cdot B_0$$

Policy sets ($\tau_{\text{local}}^* = 0$). Static revenue loss (before behavioral response) is (R_0).

Because we do not have observed (B_0) here, we evaluate **scenarios**.

B. Mechanical (static) fiscal effect

$$\Delta R_{\text{static}} = -\tau_{\text{local}} \cdot B_0$$

Scenario table (annual):

Baseline taxable net income (B_0)	Static revenue change (ΔR_{static}) at 5.6%
\$25M	(-\$1.40M)
\$50M	(-\$2.80M)
\$100M	(-\$5.60M)
\$200M	(-\$11.20M)

Interpretation: If Old Town / Chinatown currently produces on the order of **\$50–\$200M** of taxable net business income annually, the **mechanical** revenue exposure is **\$2.8–\$11.2M/year**.

C. Behavioral response: growth in the business-income base

We model the base response to an after-tax return improvement as a semi-elasticity:

$$\frac{\Delta B}{B_0} = \epsilon \cdot \Delta \tau$$

where:

- (ϵ) = semi-elasticity of the local profit base with respect to a 1 percentage-point change in the local tax rate (units: % change in (B) per 1pp change in (τ)).
- $(\Delta\tau = 5.6)$ percentage points (pp) reduction.

Because estimates vary widely across contexts, we use **conservative-to-optimistic** bounds:

- **Low response:** $(\epsilon = 0.5\%)$ per 1pp
- **Medium response:** $(\epsilon = 1.0\%)$ per 1pp
- **High response:** $(\epsilon = 2.0\%)$ per 1pp

Then:

$$\left[\frac{\Delta B}{B_0} \in \{0.028, 0.056, 0.112\} \right]$$

So (B) increases **~3% to ~11%** over a relevant adjustment period (e.g., 2–5 years), *holding other constraints constant*.

Important: this is only the “tax channel.” Old Town outcomes will also depend heavily on safety, cleanliness, and permitting frictions—hence the paper’s complementary reforms.

D. “Break-even” base expansion to offset revenue loss (local business-income taxes)

If the city/county wanted business-income tax revenue to be **unchanged** (even though the policy sets $(\tau_{\text{local}}^*)=0$), meaning revenue can’t be recovered through that same tax), the only way is via **replacement taxes** (property, fees) or **spending cuts**.

So “break-even” in this appendix means: *How much new economic value would need to be created so that other bases plausibly offset the lost (R_0) ?* We focus on **property value capitalization** and **reduced public costs**.

E. Capitalization into commercial property values (property-tax base effects)

A standard way to approximate the effect of improved operating conditions on property values is capitalization of incremental net operating income (NOI):

$$\Delta V \approx \frac{\Delta \text{NOI}}{\text{cap}}$$

where:

- (cap) = capitalization rate (use a plausible range **6%–9%** for high-risk urban commercial assets).
- (ΔNOI) = incremental net operating income.

Two channels raise NOI:

1. lower business-income tax leaves more cash in the business (some portion becomes NOI / rent-paying capacity),
2. increased sales/occupancy from new entry and improved foot traffic.

Because not all tax savings capitalizes into rent/NOI, define pass-through ($\phi \in [0,1]$) (share of local tax savings that eventually becomes additional NOI in the area’s commercial property system—through higher rents, lower vacancy, higher tenant survival, etc.).

Annual local tax savings:

$$S = \tau_{\text{local}} \cdot B_0$$

Incremental NOI from tax savings channel:

$$\Delta \text{NOI}_{\text{tax}} = \phi \cdot S$$

Then capitalization:

$$\Delta V_{\text{tax}} \approx \frac{\phi \cdot \tau_{\text{local}} \cdot B_0}{\text{cap}}$$

Illustrative table: assume (cap=8%) and ($\phi \in \{0.25, 0.50\}$).

(B ₀)	Annual savings (S)	(ΔV) at ($\phi=0.25$)	(ΔV) at ($\phi=0.50$)
\$50M	\$2.8M	\$8.75M	\$17.5M
\$100M	\$5.6M	\$17.5M	\$35.0M

\$200M \$11.2M

\$35.0M

\$70.0M

This suggests a plausible **one-time** uplift in commercial property values on the order of **tens of millions** if the district's profit base is substantial and if a meaningful share of savings translates into higher sustainable NOI.

Property tax revenue implication (order-of-magnitude):

Let effective property tax rate on assessed value be (t_p) (combined). Without pinning a specific rate, the annual revenue increment is roughly:

$$\left[\Delta R_{\text{prop}} \approx t_p \cdot \Delta V \right]$$

If (t_p) were, for example, ~1–2% effective, then a \$35M uplift yields **\$0.35–\$0.70M/year** in property tax capacity (distributed across overlapping taxing jurisdictions). The key point: property-tax offsets are typically **gradual** and **partial**, but can become meaningful over time.

F. Business entry and jobs: a simple scaling approach

We can translate incremental economic activity into employment using **revenue-per-worker** or **profit-per-worker** ratios. Because these vary by sector, use a bracket:

- For district mix (hospitality/retail/services + small offices), plausible **gross revenue per worker** might range (\$120k) to (\$250k).
- Net income margins might range (5%) to (15%) depending on mix and cycle.

Let:

- (m) = net margin
- (Rev) = district gross revenue

Then:

$$\left[B_0 \approx m \cdot Rev_0 \quad \rightarrow \quad Rev_0 \approx \frac{B_0}{m} \right]$$

If ($m=10\%$), then ($Rev_0 \approx 10 \cdot B_0$).

A 3–11% expansion in (B) implies (roughly) a similar % expansion in (Rev) in the medium run.

Illustration: ($B_0=\$100M$), ($m=10\%$) \Rightarrow ($Rev_0 \approx \$1.0B$).

If ($\Delta B/B_0 = 5.6\%$) (medium response), then ($\Delta Rev \approx \$56M$).

Jobs added:

$$\left[\Delta \text{Jobs} \approx \frac{\Delta \text{Rev}}{\text{Rev/Worker}} \right]$$

Using (Rev/Worker \in [120k, 250k]):

- (\$56M / \$250k \approx 224) jobs
- (\$56M / \$120k \approx 467) jobs

So a **mid-case** scenario can imply **a few hundred jobs** over the adjustment period—*assuming safety/cleanliness constraints don't bind*.

G. Public-cost offsets (order-of-magnitude)

A major claim in the paper is that **private stewardship and increased density** can reduce recurring public costs in sanitation, vandalism repair, and certain public-order responses. A simple accounting framework:

$$\left[\Delta C_{\text{public}} = \Delta C_{\text{clean}} + \Delta C_{\text{enforce}} + \Delta C_{\text{admin}} + \Delta C_{\text{other}} \right]$$

Even without hard numbers, you can bound plausibility:

- If enhanced private cleaning/security plus a more active streetscape reduces city/county service demand by only **\$0.5–\$2.0M/year**, that can offset a meaningful share of the static revenue exposure in smaller (B_0) scenarios.
 - These savings are **policy-design dependent** (e.g., contracting and enforcement strategy) and should be treated as **contingent**, not guaranteed.
-

H. Sensitivity and breakpoints

The biggest swing factors:

1. **Baseline (B_0)** (how much profit is actually being generated today).
2. **Elasticity / semi-elasticity (ϵ)** (how responsive entry and reinvestment are).
3. **Non-tax constraints** (public safety, permitting delays, vacancies).
4. **Capitalization pass-through (ϕ)** (how much savings becomes durable NOI vs. competed away).

A compact sensitivity expression for profit-base growth:

$$\Delta B = B_0 \cdot (\epsilon \cdot 5.6)$$

- If (B_0) is small, effects are small in absolute terms (but may still be transformative locally).
- If safety/cleanliness reforms succeed, effective (ϵ) rises because the district becomes “investable.”

I. How to turn this appendix into an empirical estimate (plug-and-play)

To convert these order-of-magnitude estimates into a calibrated memo, collect:

1. **Business tax filings** aggregated to Old Town / Chinatown (proxy for (B_0)).
2. **Counts of establishments**, openings/closures, vacancy rates.
3. **Commercial assessed values and rents** (to estimate capitalization and (ϕ)).
4. **Public service spending** in the district (sanitation, policing overtime, repairs).
5. A comparable “control” geography (similar downtown subarea) for before/after tracking.

Then implement a straightforward **difference-in-differences** monitoring design post-policy.

Bottom-line ranges (plain English)

Under plausible assumptions and absent binding non-tax constraints, a zero local business-income-tax district can reasonably be expected to produce, over a few years:

- **Profit-base expansion:** ~3% to 11% (tax channel alone)
- **Employment effects:** hundreds of jobs in mid-case scenarios if the baseline scale is meaningful
- **Property-value uplift:** tens of millions in capitalization potential, with **partial** annual property-tax offsets
- **Budget offsets:** most credible via **spending cuts/contracting efficiencies** and **incremental property-value growth**, not via “self-funding” through the eliminated tax

Law-review–style version

Free Enterprise Districts and Urban Revitalization:

A Legal and Economic Case for Eliminating Local Business-Income Taxes in Portland's Old Town / Chinatown**

I. Introduction

American cities have long relied on place-based fiscal interventions—tax incentives, urban renewal authorities, and targeted subsidies—to revive distressed neighborhoods. Yet decades of empirical evidence suggest that such interventions often fail to generate sustained economic growth, instead producing displacement effects, rent-seeking behavior, and fiscal inefficiencies. Portland, Oregon's Old Town / Chinatown exemplifies these shortcomings. Despite extensive public planning efforts, layered tax incentives, and repeated infusions of public spending, the district remains characterized by high vacancy rates, persistent disorder, and limited private investment.

This Article argues that Portland's approach to Old Town / Chinatown is structurally flawed. Rather than addressing the institutional barriers that suppress entrepreneurial activity, the city has compounded them by imposing one of the most burdensome local business-income tax regimes in the region. The combined effect of city, county, and regional business-income taxes materially increases the marginal effective tax rate on capital deployed in the district, discouraging precisely the long-horizon, site-specific investment necessary for urban revitalization.

Drawing on Austrian capital theory, local public finance, and comparative international experience, this Article proposes a legally grounded alternative: the creation of a zero local business-income-tax district in Old Town / Chinatown. By eliminating municipal and county-level taxation of business income within a defined geographic area, Portland can restore predictable legal conditions, reduce distortions to capital formation, and allow market-driven redevelopment to emerge organically.

II. Legal Authority for Municipal Tax Elimination

A. Home Rule and Local Taxing Power in Oregon

Under Article XI, section 2 of the Oregon Constitution, municipalities possess broad home-rule authority over matters of local concern, including taxation, subject to express statutory limitations. Portland's authority to levy a business license tax arises not from a constitutional mandate but from municipal ordinance. Likewise, Multnomah County's business income tax exists by virtue of county-level enactment, not state compulsion.

As a result, the elimination—or geographic limitation—of these taxes falls squarely within local legislative discretion. Oregon law does not require uniform taxation across all geographic subunits of a city or county, provided classifications are rational and serve a legitimate public purpose. Courts have consistently upheld geographically differentiated tax regimes where justified by economic development objectives or administrative rationality.

B. Geographic Tax Differentiation and Equal Protection

A zero-tax district raises potential equal protection concerns only if the classification is arbitrary or discriminatory. However, courts have routinely upheld enterprise zones, tax increment financing districts, and special assessment areas where distinctions are grounded in economic distress or redevelopment goals. Old Town / Chinatown's documented underperformance provides a rational basis for differential tax treatment.

Moreover, unlike subsidy programs that allocate benefits selectively, a zero-tax district applies uniformly to all businesses within its boundaries, minimizing arbitrariness and reducing the risk of constitutional infirmity.

III. Business-Income Taxation and Capital Formation

A. The Distortionary Nature of Business-Income Taxes

Taxes on business income differ from consumption or property taxes in that they directly burden entrepreneurial returns. From a legal-economic perspective, business-income taxes function as a tax on risk-taking and investment. Because such taxes are assessed on net income rather than immobile factors, they are uniquely sensitive to jurisdictional competition.

In Old Town / Chinatown, the cumulative local tax burden—approximately 5.6% of net income before state and federal taxes—raises the hurdle rate for investment and suppresses firm entry. This effect is magnified in distressed districts, where baseline risk is already elevated due to crime, regulatory uncertainty, and infrastructure decay.

B. Austrian Capital Theory and Legal Predictability

Austrian economics emphasizes the intertemporal structure of capital and the role of profit signals in coordinating investment decisions. Legal regimes that impose uncertain or

confiscatory taxes disrupt these signals by reducing expected returns and increasing policy risk. Long-term capital projects—such as historic building rehabilitation—are particularly sensitive to such distortions.

From a legal standpoint, stability and predictability are themselves public goods. A statutory commitment to zero local business-income taxes for a defined period enhances reliance interests and strengthens the rule-of-law function of municipal governance.

IV. Comparative Legal and Economic Evidence

A. International Tax Competition

International experience reinforces the legal-economic case for reducing taxes on business income. Ireland's low corporate tax regime, Nordic reductions in effective marginal tax rates, and Estonia's distributed-profit tax model each demonstrate that capital responds strongly to predictable, low-tax environments. These regimes did not rely on discretionary subsidies but on clear, general rules embedded in statute.

Notably, even high-spending welfare states have recognized the legal limits of taxing mobile capital. Their experience underscores a central principle: social objectives cannot be sustainably financed by eroding the capital base.

B. Limitations of Enterprise Zones

By contrast, the enterprise zone literature—both legal and economic—reveals persistent shortcomings. Targeted incentives require administrative discretion, invite litigation, and create opportunities for regulatory capture. Courts have upheld such programs, but their effectiveness remains empirically weak.

From an Austrian and legal-process perspective, enterprise zones fail because they substitute bureaucratic selection for market discovery. A zero-tax district avoids this pitfall by removing impediments rather than conferring privileges.

V. A Zero Business-Income-Tax District: Legal Design

A. Statutory Structure

The proposed district would be established by ordinance, defining geographic boundaries aligned with Old Town / Chinatown. Within those boundaries:

1. The City of Portland business license tax rate would be set to zero.
2. Multnomah County would exempt district-sourced income from its business income tax.
3. Metro would exempt or rebate the regional business-income surcharge.

The exemption would apply uniformly to all firms operating primarily within the district.

B. Temporal Commitment and Legal Credibility

To ensure credibility, the exemption should be enacted for a minimum ten-year period, with repeal requiring a supermajority vote and delayed implementation. Such design features reduce regime uncertainty and align with doctrines protecting reliance interests.

VI. Fiscal and Welfare Implications

In the short run, local governments may experience modest revenue losses. However, the current tax yield from Old Town is low due to underutilization. Over time, increased investment and business density are expected to raise property values, expand the property tax base, and generate indirect fiscal benefits.

From a welfare perspective, eliminating business-income taxes reduces deadweight loss and improves allocative efficiency. The legal system's role is not to engineer outcomes but to establish neutral rules under which voluntary exchange can occur.

VII. Conclusion

Urban revitalization is fundamentally an institutional problem. Portland's Old Town / Chinatown will not recover through additional layers of planning, subsidies, or discretionary incentives. It requires a legal environment that respects entrepreneurial discovery, minimizes distortionary taxation, and provides stable expectations for long-term investment.

A zero local business-income-tax district represents a lawful, economically coherent, and institutionally sound reform. By stepping aside and allowing market processes to operate, Portland can transform Old Town / Chinatown from a symbol of policy failure into a demonstration of how legal simplicity and economic freedom can restore urban vitality.

Legislative Findings and Declarations

Section 1. Legislative Findings and Declarations

The City Council of the City of Portland hereby finds and declares as follows:

A. Conditions Necessitating Legislative Action

1. **Economic Distress.**

The Old Town / Chinatown area of Portland is a historically significant district that has experienced prolonged economic underperformance, including elevated commercial vacancy rates, limited private investment, and reduced business formation relative to other areas of the city.

2. **Public Safety and Disorder.**

The City Council finds that Old Town / Chinatown has experienced persistent public safety challenges, including higher-than-average incidents of crime and disorder, which have further discouraged long-term private investment and contributed to business closures and reduced foot traffic.

3. **Concentration of Risk Factors.**

The City Council finds that the cumulative effect of economic distress, public safety concerns, and regulatory complexity has created an environment in which the expected risk-adjusted return on investment is materially lower than in competing jurisdictions.

B. Local Business-Income Tax Structure

4. **Layered Local Taxation.**

Businesses operating within Portland are subject to multiple local business-income-based taxes, including the City of Portland Business License Tax, the Multnomah County Business Income Tax, and the regional Supportive Housing Services business income surcharge.

5. **Marginal Tax Burden.**

The City Council finds that the combined marginal local business-income tax burden materially increases the cost of operating a business within Old Town / Chinatown relative to nearby jurisdictions and reduces the competitiveness of the district for new and expanding enterprises.

6. **Sensitivity of Capital Investment.**

The City Council finds that capital investment—particularly in long-term, location-specific projects such as historic building rehabilitation—is highly sensitive to after-tax rates of return and to the predictability of the legal and tax environment.

C. Economic and Empirical Basis

7. Investment Responsiveness.

The City Council finds, based on economic research and comparative evidence, that reductions in taxes on business income are associated with increased investment, business formation, and economic activity, particularly in small geographic areas where capital mobility is high.

8. Limitations of Targeted Incentives.

The City Council finds that targeted incentive programs and discretionary subsidies have produced mixed results and can increase administrative complexity, reduce transparency, and create unequal treatment among similarly situated businesses.

9. International and Comparative Experience.

The City Council finds that jurisdictions that have reduced or eliminated taxes on business income, including at the sub-national level, have experienced improved investment outcomes and greater economic dynamism.

D. Legal Authority and Rational Basis

10. Home Rule Authority.

The City Council finds that the City of Portland possesses home-rule authority under the Oregon Constitution to levy, modify, or eliminate local business-income taxes and to establish geographically defined tax classifications that serve legitimate public purposes.

11. Geographic Classification.

The City Council finds that the designation of a geographically defined district within Old Town / Chinatown for differential tax treatment is rationally related to the legitimate governmental objective of economic revitalization and is supported by documented conditions of distress.

12. Uniform Application Within the District.

The City Council finds that the tax treatment established by this ordinance applies uniformly to all businesses operating within the designated district and does not confer selective or discretionary benefits.

E. Public Purpose and Expected Outcomes

13. Promotion of Economic Activity.

The City Council declares that eliminating local business-income taxes within Old Town / Chinatown is intended to reduce barriers to entrepreneurial activity, increase business density, and encourage private investment.

14. Fiscal Sustainability.

The City Council finds that improving the economic performance of Old Town / Chinatown is necessary to expand the long-term tax base and reduce reliance on increasingly concentrated and distortionary revenue sources.

15. Complementary Measures.

The City Council declares that the tax changes established by this ordinance are intended to operate in conjunction with regulatory simplification, targeted public safety efforts, and voluntary business-led stewardship initiatives.

F. Legislative Intent

16. Predictability and Stability.

It is the intent of the City Council to provide a stable and predictable legal environment for businesses operating within Old Town / Chinatown by establishing a long-term commitment to the tax structure set forth in this ordinance.

17. Non-Subsidy Structure.

It is further the intent of the City Council that this ordinance function as a general removal of regulatory and fiscal barriers, rather than as a subsidy, grant, or discretionary incentive program.

18. Market-Driven Revitalization.

The City Council declares that the revitalization of Old Town / Chinatown is best achieved through market-driven activity facilitated by clear legal rules, rather than through ongoing administrative intervention.

G. Severability

19. Severability.

If any provision of this ordinance or its application to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the ordinance that can be given effect without the invalid provision or application.

One-pager A Fresh Start for Old Town / Chinatown

A Fresh Start for Old Town / Chinatown

A Community Plan to Bring Jobs, Safety, and Life Back to the Neighborhood

Old Town / Chinatown is one of Portland's most historic neighborhoods.

It should be a place people want to live, work, visit, and invest in.

Right now, it's struggling — and the current approach isn't working.

This proposal offers a **simple, proven idea** to help Old Town recover.

The Problem

Old Town / Chinatown faces:

- Too many empty storefronts
- Fewer small businesses and jobs
- Ongoing safety and cleanliness issues
- Businesses leaving for other cities or neighborhoods

At the same time, businesses here pay **some of the highest local business taxes in the region**, including:

- City of Portland business tax
- Multnomah County business tax
- Metro business income tax

Together, these taxes make it **harder to open, stay open, or invest** in Old Town — especially for small, local businesses.

The Simple Idea

Make Old Town / Chinatown a Zero Local Business-Income-Tax Zone

That means:

- **No City business income tax**

- **No County business income tax**
- **No Metro business income tax**
- Only inside Old Town / Chinatown
- For a **long-term period (10 years)** so businesses can plan and invest

Businesses would still pay:

- State and federal taxes
- Property taxes
- Normal fees and rules

This is **not a giveaway**.

It's removing barriers so people can build again.

Why This Helps the Community

When businesses keep more of what they earn, they are more likely to:

- Open new shops and restaurants
- Hire locally
- Fix up old buildings
- Keep lights on at night
- Invest in safety, cleaning, and maintenance

More businesses mean:

- More people on the street
- Fewer empty buildings
- Safer sidewalks
- More jobs and opportunity

Busy streets are safer streets.

Does This Actually Work?

Yes. Other places have done this successfully.

- **Ireland** lowered business taxes and saw major job growth
- **Nordic countries** keep business taxes low to attract investment
- **Estonia** lets businesses reinvest profits tax-free

The lesson is clear:

Places that welcome businesses grow. Places that punish them don't.

How the City Pays for It

Old Town currently brings in **very little business tax revenue** because so many spaces are empty.

This plan is paired with:

- Cutting ineffective programs that haven't worked
- Focusing public money on basics: safety, lighting, cleanliness
- Letting local businesses help fund cleaning and security directly

Over time:

- Property values rise
 - More people work
 - The tax base grows naturally
-

What This Is — and Is Not

- ✓ A plan to bring life back to Old Town
 - ✓ A way to help small and local businesses
 - ✓ A long-term commitment, not a short-term gimmick

 - ✗ Not a subsidy
 - ✗ Not corporate welfare
 - ✗ Not raising taxes on residents
-

The Goal

A cleaner, safer, busier Old Town / Chinatown — built by the people who live and work here.

Less bureaucracy.

Fewer empty buildings.

More opportunity.

****Old Town doesn't need another study.**

It needs a chance.**

If you want, I can:

- Design this as a **print-ready flyer**
- Adapt it for **Spanish or other languages**
- Create versions for **small business owners, residents, or voters**
- Turn it into a **door-to-door handout or website page**

Just tell me how you plan to use it.

A Practical Plan to Make Chinatown Work Again

A Practical Plan to Make Old Town / Chinatown Work Again

If you run a small business, you already know the truth:

Margins are thin. Risk is high. And Portland keeps making it harder.

This proposal is about **giving local businesses room to breathe.**

The Reality on the Ground

Running a business in Old Town / Chinatown means:

- High rent risk
- Safety and cleanliness challenges
- Fewer customers than before
- And **multiple local business taxes** on top of everything else

Right now, businesses here pay:

- City of Portland business income tax
- Multnomah County business income tax
- Metro business income tax

That's **5–6% of net income gone** — before state and federal taxes.

For small businesses, that can be the difference between:

- Staying open or closing
 - Hiring help or working 80-hour weeks
 - Investing or just surviving
-

The Proposal (Simple and Clear)

Zero Local Business-Income Taxes in Old Town / Chinatown

That means:

- **0% City business income tax**

- **0% County business income tax**
- **0% Metro business income tax**
- Only inside Old Town / Chinatown
- Locked in for **10 years** so you can plan

You still pay:

- State and federal taxes
- Property taxes (if you own)
- Normal licenses and fees

This is not a subsidy.

It's **letting you keep more of what you earn.**

What This Means for Your Business

If you keep more of your income, you can:

- Hire another employee
- Extend hours
- Improve your storefront
- Handle slow months better
- Invest instead of cutting corners

More businesses opening means:

- More foot traffic
 - Fewer empty buildings
 - Safer streets
 - More customers for everyone
-

Why This Works

Other places do this on purpose:

- Ireland brought back jobs by lowering business taxes
- Nordic countries keep business taxes competitive
- Estonia lets businesses reinvest profits tax-free

They understand something Portland forgot:

You don't grow a neighborhood by taxing struggling businesses harder.

What This Is NOT

- ✗ Not corporate welfare
 - ✗ Not a grant with paperwork
 - ✗ Not picking winners and losers
 - ✗ Not raising taxes on residents

 - ✓ It applies to **all businesses equally**
 - ✓ It's automatic
 - ✓ It's predictable
 - ✓ It rewards effort, not connections
-

Why Old Town Needs This First

Old Town is already risky.
Adding extra taxes on top makes no sense.

This plan:

- Offsets risk
- Attracts new shops and restaurants
- Helps existing businesses survive and grow

Busy streets = safer streets.

That helps every business.

Bottom Line

**You took the risk.
You do the work.
You should keep more of the reward.**

Old Town doesn't need more programs.
It needs **more businesses that can actually survive.**

SHORT VERSION (POSTER / HANDOUT)

Small Businesses Need Relief — Not More Taxes

Old Town / Chinatown Proposal:

- Zero City business income tax
- Zero County business income tax
- Zero Metro business income tax
- 10-year commitment

More businesses.

More customers.

Safer streets.

Let small businesses breathe.

Guerrilla Marketing Strategy

Guerrilla Marketing Strategy

Getting the Zero-Tax Old Town Idea Into the Real World

Core Principle

People don't trust City Hall — they trust each other.

Your goal is not persuasion through authority, but **normalization through repetition**.

1. Anchor the Message Where People Already Are

A. Shop Window Strategy (High ROI)

- Print **half-sheet flyers** or **postcards**
- Headline examples:
 - “LET SMALL BUSINESSES BREATHE”
 - “ZERO LOCAL BUSINESS TAXES = SAFER STREETS”
 - “OLD TOWN DESERVES A RESET”
- Ask owners to place them:
 - In windows
 - By registers
 - On community boards

Why it works:

Customers trust messages inside local shops more than anything online.

B. Receipt + Bag Inserts

- Small slips (¼ page) with:
 - One sentence
 - QR code
 - “Learn more”
- Insert into:
 - Takeout bags
 - Coffee sleeves
 - Receipts

Zero confrontation. Zero explanation required.

2. Peer-to-Peer Business Outreach (Quiet, Powerful)

A. “Five-Shop Rule”

Ask each supportive business owner to:

- Personally hand the flyer to **5 other nearby owners**
- With one line only:
“This could really help all of us.”

No pitch. No debate.

This spreads faster than any campaign.

B. Early Adopter Clusters

Focus first on:

- Restaurants
- Cafés
- Bars
- Service shops (salons, repair, print)
- Art spaces

Once **3–5 businesses on one block** display it, it feels legitimate.

3. Sidewalk-Level Visibility (Portland Style)

A. Chalk Messaging (Legal + Temporary)

Use washable sidewalk chalk near:

- Empty storefronts
- Busy corners
- Near MAX stops

Simple phrases:

- “EMPTY STORES ≠ SAFETY”
- “LET BUSINESSES STAY”
- “OLD TOWN NEEDS CUSTOMERS”
- “ZERO LOCAL BUSINESS TAXES”

No logos. No URLs. Curiosity first.

B. Stickers (Non-Damaging)

Only place:

- On permitted boards
- On your own materials
- On temporary surfaces (tables at events, clipboards)

Short phrases:

- “LET SMALL BUSINESSES BREATHE”
 - “BUSY STREETS ARE SAFER STREETS”
-

4. Use Events — Without Hosting Events

A. Pop-In Distribution

Attend:

- Art walks
- Night markets
- Food events
- Cultural festivals

Approach:

- Hand flyer
- Say one sentence:
“This is an idea to bring more businesses back to Old Town.”

Stop talking.

B. Quiet Table Strategy

- Small folding table
- Handwritten sign:
“Ideas to Fix Old Town”
- Flyers only
- No arguing
- No volunteers explaining unless asked

This attracts **curious skeptics**, not activists.

5. Digital Amplification (Minimal but Targeted)

A. QR Code → One Simple Page

Your landing page should have:

- Headline
- 3 bullets
- No jargon
- “Support / Learn More”

No email capture at first. Trust first.

B. Geo-Targeted Social Proof

Instead of ads:

- Take photos of flyers **in real shop windows**
- Post:
 - “Another Old Town business supports tax relief.”
- Use:
 - Neighborhood Facebook groups
 - Reddit (r/Portland — cautiously)
 - Instagram Stories

Proof beats persuasion.

6. Message Discipline (Critical)

What to Always Say

- “This helps small businesses survive.”
- “Busy streets are safer streets.”
- “It’s not a subsidy — it’s tax relief.”
- “Only in Old Town.”

What to Avoid

- Ideology labels
- Attacks on homelessness
- Complex economics
- Naming politicians early

Let people **discover alignment themselves**.

7. Opposition-Proofing (Before It Happens)

Prepare one calm response:

“This doesn’t cut services. It removes taxes where businesses are already failing.”

Repeat it. Do not debate beyond that.

8. Escalation Path (Only After Traction)

Once visible support exists:

1. Publish an **open letter** signed by business owners
 2. Request **listening sessions**, not votes
 3. Invite local journalists to walk Old Town at night
 4. Frame it as:
“A pilot. A test. A chance.”
-

The Winning Frame

This idea succeeds when people say:

“Why *wouldn't* we try this?”

Not when they say:

“I agree with the economics.”

30–60–90 Day Rollout Plan

Zero Local Business-Income Tax for Old Town / Chinatown

DAYS 1–30: VISIBILITY & LEGITIMACY

Goal:

Make the idea **visible**, **non-threatening**, and **normal** among small business owners and residents.

Week 1–2: Quiet Seeding

Actions

- Print:
 - 200–300 small business flyers
 - 100 window signs (half-sheet)
- Personally visit:
 - Cafés, bars, restaurants
 - Retail shops
 - Service businesses
- Script (10 seconds):

“This is a simple idea to help Old Town businesses survive.”

Targets

- 20–30 businesses total

- Prioritize clusters (same block)

Metric

- 10+ businesses displaying material
-

Week 3–4: Visual Density

Actions

- Add:
 - Chalk messages near empty storefronts
 - Posters on permitted boards
- Begin:
 - Receipt / bag inserts
- Photograph:
 - Flyers in windows
 - Busy moments (with permission)

Digital

- Create 1 simple landing page
- Post photos in:
 - Neighborhood Facebook groups
 - Instagram stories
 - Reddit (light touch)

Metric

- Idea seen daily by regulars
 - “I’ve seen this before” comments
-

DAYS 31–60: MOMENTUM & SOCIAL PROOF

Goal:

Shift from “idea” to **community-backed proposal**.

Week 5–6: Business-to-Business Spread

Actions

- Activate the **Five-Shop Rule**:
 - Ask each supportive owner to share with 5 others
- Begin collecting:
 - First names + business names (opt-in)
- Create a simple:
 - “Supported by Old Town Businesses” list

Metric

- 25–40 businesses aware
 - 15–20 publicly supportive
-

Week 7–8: Storytelling Phase

Actions

- Collect 5–10 short quotes:
 - “This would help us stay open.”
 - “We can’t take another tax hike.”
- Post quotes anonymously or with permission
- Print a **one-page Open Letter draft**

Outreach

- Quietly send letter to:
 - Neighborhood associations
 - Business groups
 - Cultural orgs

Metric

- Recognition beyond Old Town
 - First neutral media interest
-

DAYS 61–90: FORMALIZATION & PRESSURE

Goal:

Force the conversation into **official channels** without losing grassroots control.

Week 9–10: Open Letter Release

Actions

- Publish open letter:
 - Signed by businesses
 - Focused on survival, not ideology
- Release simultaneously:
 - Online
 - Printed copies in windows
- Send to:
 - Local journalists
 - City Council offices (as FYI, not demand)

Metric

- Public acknowledgment by officials or press
-

Week 11–12: Controlled Escalation

Actions

- Request:
 - “Listening sessions”
 - Walking tours of Old Town (day and night)
- Prepare:
 - 1-page FAQ
 - One calm spokesperson
- Avoid:
 - Rallies
 - Protests
 - Shouting matches

Metric

- Meetings scheduled
 - Proposal discussed publicly
-

WHAT SUCCESS LOOKS LIKE AT DAY 90

- ✓ Businesses openly discussing tax relief
 - ✓ Visual presence normalized in Old Town
 - ✓ Media framing shifts to “Why not try this?”
 - ✓ Officials forced to respond
 - ✓ The idea feels *inevitable*, not radical
-

CRITICAL RULES (DO NOT BREAK THESE)

1. **Never argue ideology**
 2. **Never attack residents or homeless people**
 3. **Never promise miracles**
 4. **Always say “pilot” and “test”**
 5. **Keep faces local, not political**
-

OPTIONAL FAST TRACK (If Momentum Surges Early)

If you hit:

- 30+ supportive businesses
- Press interest before Day 60

→ Skip ahead to Open Letter

→ Call it a **12-month pilot proposal**

Media Pitch

Hello [Reporter's Name],

I'm reaching out with a local story developing in Portland's Old Town / Chinatown that may be of interest.

A growing number of small businesses in Old Town are quietly backing a proposal to create a **zero local business-income-tax pilot zone** in the neighborhood. The idea is narrowly targeted: remove city, county, and Metro business-income taxes **only within Old Town / Chinatown** for a fixed period, while keeping all other taxes and regulations in place.

Business owners supporting the proposal argue that Old Town's layered local business taxes—on top of safety and vacancy challenges—are discouraging new shops, accelerating closures, and leaving the area stuck in a cycle of empty storefronts and reduced street activity. Their view is that **lowering the cost of operating where risk is already high** could help attract businesses back, increase foot traffic, and improve safety organically.

This is not framed as a subsidy or grant program, and there's no request for new spending. Supporters are calling it a **test or pilot**, paired with a focus on basic services like cleanliness and lighting.

Several business owners are willing to speak on background or on the record about why they believe the current approach is failing and why this alternative is worth examining. There is also a short policy memo and community-facing materials available if helpful.

If this sounds like something you'd like to explore, I'm happy to connect you with business owners or walk you through the proposal.

Best regards,

[Your Name]

[Role or "Old Town business community member"]

[Phone / Signal optional]

Neutral FAQ for Skeptics

Neutral FAQ for Skeptics

(Designed for residents, voters, journalists, and cautious officials)

Use this **as-is** for handouts or web pages.

Frequently Asked Questions

Old Town / Chinatown Zero Local Business-Income-Tax Proposal

Isn't this just a tax giveaway to businesses?

No. This proposal does **not** give money to businesses. It removes **local taxes** in a neighborhood where many businesses are already closing or not opening at all. Businesses still pay state and federal taxes, property taxes, fees, and must follow all regulations.

Won't this reduce funding for public services?

Old Town currently generates **very little business-income tax revenue** because so many storefronts are vacant. The idea is to improve economic activity so the area can contribute more over time through property values and broader tax bases. This proposal is paired with spending discipline and a focus on core services.

Why should Old Town get special treatment?

Old Town / Chinatown faces **higher risk than most neighborhoods**: more vacancies, safety challenges, and lower foot traffic. Treating unequal conditions equally often produces unequal outcomes. This is a **targeted pilot** for a uniquely distressed area.

Why not use grants or subsidies instead?

Grants and incentives require bureaucracy, applications, and political selection. This proposal applies **automatically and equally** to all businesses in the district. It reduces complexity instead of adding programs.

Does this mean less accountability for businesses?

No. All existing laws, regulations, inspections, and licensing requirements remain in place. The only change is the removal of **local business-income taxes** within the district.

What evidence is there that this would work?

Other cities and countries have used lower business taxes to attract investment, increase employment, and stabilize distressed areas. While no policy guarantees success, the current approach has not reversed Old Town's decline. This proposal is framed as a **test**, not a permanent commitment.

How long would this last?

The proposal suggests a **fixed time period (e.g., 10 years)** to provide stability for businesses making long-term decisions. Any extension or expansion would require public review.

Does this address homelessness or public safety directly?

No—this is not a social services policy. However, more active businesses mean more people, more “eyes on the street,” fewer empty buildings, and better informal safety. This proposal is meant to **complement**, not replace, social and safety efforts.

What if it doesn't work?

That's why supporters emphasize a **pilot structure** with clear metrics: business openings, vacancy rates, foot traffic, and safety indicators. If it fails, the policy can expire.

Who supports this?

Support is coming from **small business owners and local stakeholders**, not large corporations or outside interests. The focus is on survival and recovery, not ideology.

What's the core argument in one sentence?

If Old Town is already struggling, taxing businesses there more than surrounding areas makes recovery harder, not easier.

PR Assets Journalist-Facing Fact Sheet

Journalist-Facing Fact Sheet

(One page • quotable • background-ready)

Old Town / Chinatown Zero Local Business-Income-Tax Pilot

Location: Old Town / Chinatown, Portland, Oregon

Proposal Type: Local tax pilot / economic revitalization policy

Status: Community-driven proposal supported by small business owners

The Core Idea

Create a **geographically limited pilot zone** in Old Town / Chinatown where **local business-income taxes are set to zero** for a fixed period, while all other taxes and regulations remain in place.

What Would Change

- City of Portland business income tax → **0% in the district**
- Multnomah County business income tax → **0% in the district**
- Metro business income surcharge → **0% in the district**

No changes to:

- State or federal taxes
 - Property taxes
 - Business regulations, inspections, or licensing
 - Labor, safety, or zoning laws
-

Why Old Town / Chinatown

- High concentration of **vacant storefronts**
- Ongoing **public safety and cleanliness challenges**
- Fewer new business openings compared to other central-city areas

- Higher perceived risk for small, local businesses

Supporters argue that **layered local taxes amplify risk** in an area already struggling to attract and retain businesses.

What Supporters Say

- The proposal is **not a subsidy or grant**
 - It removes barriers rather than adding programs
 - It applies **equally to all businesses** in the district
 - It is framed as a **pilot or test**, not a permanent change
-

Policy Rationale

- Business-income taxes directly reduce margins, which matters most in high-risk areas
 - Empty storefronts reduce foot traffic and informal safety
 - More businesses = more people on the street = safer, more active blocks
 - Other jurisdictions use low or zero business-income taxation to attract investment
-

How It's Different from Enterprise Zones

- No applications
 - No discretionary incentives
 - No targeted grants
 - No selection of “winners”
 - Automatic and uniform within the district
-

Fiscal Context

- Old Town currently generates **limited business-income tax revenue** due to vacancies
 - Supporters argue the status quo produces a shrinking tax base
 - Long-term goal: stabilize the area so property values and activity increase
-

Metrics Supporters Suggest Tracking

- Number of operating businesses
 - Commercial vacancy rates
 - Foot traffic
 - Reported crime trends
 - Property investment activity
-

How Support Is Emerging

- Small business owners displaying materials in storefronts
 - Informal business-to-business outreach
 - No formal organization or funding body
 - Emphasis on local voices rather than political endorsements
-

One-Sentence Summary

A group of Old Town business owners is proposing a zero local business-income-tax pilot as a way to attract businesses back, increase foot traffic, and improve safety—arguing the current approach isn't working.

Short Op-Ed Draft

(~600 words • neutral tone • suitable for The Oregonian, Willamette Week, Portland Mercury)

If Old Town Is Already Struggling, Why Make It More Expensive to Do Business There?

Portland's Old Town / Chinatown is one of the city's most historic neighborhoods—and one of its most troubled. Vacant storefronts, limited foot traffic, and ongoing safety concerns have left the area stuck in a cycle that feels increasingly hard to break.

Yet one factor rarely discussed outside of business circles is how expensive it is to operate there.

Businesses in Old Town face not just the usual challenges of running a small operation, but also a layered set of local business-income taxes imposed by the city, the county, and Metro. Together, these taxes can amount to five percent or more of net income—before state and federal taxes are even considered.

For a business in a thriving area, that may be manageable. For a business in a neighborhood with higher risk, fewer customers, and more uncertainty, it can be the final push toward closing—or deciding not to open at all.

A growing number of small business owners in Old Town are now asking a simple question: if the neighborhood is already struggling, why make it more expensive to do business there than in surrounding areas?

Their proposal is straightforward. Create a pilot zone in Old Town / Chinatown where local business-income taxes are set to zero for a fixed period. Businesses would still pay state and federal taxes, property taxes, fees, and comply with all regulations. The only change would be removing local taxes that directly reduce margins in an already fragile area.

This is not a call for subsidies or grants. There would be no application process, no picking winners, and no new bureaucracy. The policy would apply equally to all businesses operating in the district and would be evaluated against clear metrics like vacancy rates, business openings, and street activity.

Supporters argue that empty storefronts are not neutral. They reduce foot traffic, weaken informal safety, and make it harder for remaining businesses to survive. By contrast, more businesses mean more people, more activity, and more eyes on the street—conditions that tend to improve safety organically.

Critics may worry about lost revenue. But Old Town currently generates limited business-income tax revenue precisely because so many spaces are vacant. The choice is not between a healthy

tax stream and a risky experiment. It's between continuing a strategy that hasn't reversed decline and testing a narrowly targeted alternative.

Other places have made similar bets. Countries like Ireland and Estonia, and even high-spending Nordic nations, have deliberately kept business-income taxes low to attract investment. While Portland is not a nation-state, the underlying logic is the same: capital is mobile, and risk-sensitive.

No one claims that tax relief alone will fix Old Town's challenges. Public safety, cleanliness, and social services matter. But without businesses, there is no neighborhood to stabilize.

The proposal now circulating among Old Town business owners is modest in scope and framed as a test, not a cure-all. It asks Portland to try something different in a place where the current approach is plainly not delivering the results residents want.

At minimum, it raises a question worth serious consideration: if we want Old Town to recover, should we start by making it easier—or harder—for people to do business there?